Appendix C

Overview of Convention and Visitor Bureaus in the United States

History

In 1895, a writer for *The Detroit Journal* named Michael Carmichael suggested that area businessmen work together to promote the City of Detroit as a convention destination, thereby creating the first Convention and Visitors Bureau. In 1902, W.C. Weedon of Honolulu, Hawaii wanted to duplicate Carmichael's success and convinced local businessmen to pay him to promote the Territory of Hawaii. By 1914, enough CVBs had been established across the world to warrant the creation of the International Association of Convention and Visitors Bureaus (IACVB) which provided professionals with a means to share industry information.[1]

The primary motive for creating the early bureaus was to attract conventions to cities.[2] Today, the growing trend in the U.S. has been "the increasing emphasis on marketing cities and other local communities as tourism destinations."[3]

Roles of a CVB

Generally, the roles of a CVB can be described through its five primary functions:

1. An "economic driver" generating new income, employment, and taxes contributing to a more diversified local economy;
2. A "community marketer" communicating the most appropriate destination image, attractions, and facilities to selected visitor markets;
3. An "industry coordinator" providing a clear focus and encouraging less industry fragmentation so as to share in the growing benefits of tourism;

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[1] Flynn, Michael J. & Linda Kephart Flynn. The Evolution of CVBs: Serving exhibitions for more than a century. LACVBCrossroads, June 1996.
[2] Gartrell, R.B. (1992) Convention and visitors Bureaus: Current issues in management and marketing. Journal of Travel & Tourism Marketing, 1(2), 71-78.
[3] Morrison, Alistair M., Bruen, Stacey M, Anderson, Donald J. (1998) Convention and Visitors Bureaus in the USA: A Profile of Bureaus, Bureau Executives, and Budgets. Hawthorne Press.

4. A "quasi-public representative" adding legitimacy for the industry and protection to individual and group visitors; and
5. A "builder of community pride" by enhancing a quality of life and acting as the chief "flag carrier" for residents and visitors.[4]

Organizational Structure

According to a tourism industry leader, R.B. Gartrell, "The organizational structures of CVBs vary depending on the characteristics of the destination, the quality of its product and funding levels."[5] In North America, most bureaus fall into one of four categories: 1) independent, nonprofit associations, 2) chamber of commerce as non-profit associations, 3) local government agencies, or 4) a special legal entity.[6]

In the United States, most CVBs are classified as 501(c)(6) or 501(c)(3) non-profit associations which promote general business interests of their constituencies. As such, they cannot engage in regular business activities that are normally conducted on a for-profit basis. Revenues generated by bureau activities must be primarily expended on bureau programs that demonstrate the basis for its tax-exempt status under the rules and regulations of the Internal Revenue Service.[7]

CVBs as an Arm of the Chamber

Historically, communities that elected to include destination marketing as part of their strategic vision charged their local chamber of commerce with the responsibility of housing the newly formed CVB. As destination marketing organizations have grown and developed, there has been an increasing trend for CVBs to separate from their Chamber to become an independent organization.

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[4] Morrison, Alastair, Stacey Bruen, et al. "Convention and Visitor Bureaus in the USA: A Profile of Bureaus, Bureau Executives, and Budgets."
[5] Gartrell, R.B. (1994). Destination Marketing (2nd ed.). Dubuque: IA; Kendall Hunt Publishing.
[6] IACVB Website
[7] Morrison, Alastair, Stacey Bruen, et al. "Convention and Visitor Bureaus in the USA: A Profile of Bureaus, Bureau Executives, and Budgets." No idea the date of this publication?

According to the International Association of Convention and Visitors Bureaus (IACVB), almost sixty percent (63%) of their members are independent 501(c)(6) non-profit associations, twenty-four percent (24%) are government agencies, seven percent (7%) are an arm of the Chamber of Commerce, and the six percent (6%) are 501(c)(3) organizations. The most prevalent bureaus are independent organizations and were formerly part of chambers of commerce.[8]

According to the list of *Virginia Destination Marketing Organizations* (DMO) provided on the Virginia Tourism Corporation's website, twenty (20) or nineteen percent (19%) of the one-hundred and seven (107) DMOs in the Commonwealth operate as an arm of the Chamber.[9] Of those twenty organizations, seventeen (17) are tourism authorities and three (3) are CVBs. The three CVBs are Lynchburg, Bristol and Williamsburg.

Research conducted of CVBs who are a division of the Chamber of Commerce yielded the following data:

- In most cases, the CVB President reports to the President of the Chamber, who in turn, reports to the Chamber Board.
- The CVB Director, in most cases, does not have the final authority to negotiate the CVB operating budget, hire or fire staff, or make marketing program decisions.
- The CVB President report to their respective City and/or County on a quarterly basis to discuss spending, advertising and marketing efforts.
- The CVB and the Chamber meet on a weekly or monthly basis.
- By being housed in the same facility, the CVB and the Chamber can share human, physical and financial resources.
- CVBs that are an arm of the Chamber can leverage their relationship with the Chamber to achieve greater recognition in the community.

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[8] *ibid*

[9] Virginia Tourism Corporation, http://www.vatc.org/development/dmolist.asp

Funding

According to an annual IACVB member survey, the older the bureau, the larger is the CVB budget. Generally, bureaus with budgets of over $5 million have been in business for an average of 45 years while those with budgets of under $200,000 only have been in business for 8 years on the average.[10]

Generally, CVBs are funded through the hotel occupancy/transient occupancy tax. These taxes are normally levied as a percentage of the room portion of a guest's bill and place no direct tax burden on the citizen. An estimated seventy-seven percent (77%) of IACVB member bureaus receive funding through room taxes. The remaining revenue for CVBs usually comes from government matching grants and general tax funds, membership dues and restaurant taxes.[11]

Although the majority of CVBs are independent, they are "quasi-governmental" in nature because a substantial portion of their funding comes from a room tax which has been enabled through legislation. The specific "hotel tax" is in addition to any other general sales tax levied by the city, county, state, or federal government that may already be applied to hotel rooms.

A resulting problem from CVBs relying on the hotel occupancy tax is that when occupancy levels of hotels decrease, CVBs find their source of operating funds severely curtailed when they would need those funds most to increase marketing and sales efforts.[12] When a CVBs performance is measured, the first and often only issue that officials outside of the tourism industry look at is the level of hotel occupancy in the city; not the total number of visitors who come to the city, which is a more accurate measurement of performance. For the foreseeable future, room taxes will continue to be a vital funding source for CVBs.

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[10] Morrison, Alastair, Stacey Bruen, et al. "Convention and Visitor Bureaus in the USA: A Profile of Bureaus, Bureau Executives, and Budgets."
[11] *ibid*
[12] Hacker, Steven and David Audrain. "The Bed Tax is Obsolete-Cut It" Association Meetings, 2002.

Key Findings – CVBs

- The majority of CVBs in the United States (63%) have transitioned away from being an arm of the Chamber and are now operating as independent organizations.